

Message Text

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ACTION PM-03

INFO OCT-01 EA-06 ISO-00 AID-05 IGA-01 TRSE-00 NSC-05

SP-02 SS-15 CIAE-00 INR-07 NSAE-00 L-02 H-02 /049 W

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P R 140927Z MAY 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3361

INFO SECDEF WASHDC

CINCPAC HONO HI

C O N F I D E N T I A L MANILA 6521

E.O. 11652: GDS

TAGS: MASS, RP

SUBJECT: M-16 RIFLE PLANT-FMS CREDITS IN FY '75

REF: STATE 110321

1. REFTEL PARA 4 BESPEAKS A RATHER CAVALIER VIEW OF COMMITMENT UNDER MOU AND WILL BE SO REGARDED BY GOP. OUR COMMITMENT UNDER THAT UNDERSTANDING WAS TO PROVIDE THE BEST POSSIBLE USG SUPPORTED FINANCING IN A TIMELY WAY, AND IT IS A MERELY CONVENIENT INTERPRETATION TO SAY THAT OUR BEST TERMS, I.E. DIRECT CREDIT, ARE OFFERED ON "EITHER/OR" BASIS WITH A MORE COSTLY ALTERNATIVE. TELLING GOP THIS LATE IN THE YEAR THAT THE PREFERRED OPTION DOES NOT EXIST CAN HARDLY BE REGARDED AS COMPLIANCE WITH THE SPIRIT OF MOU OR WITH THE WELL-RECORDED GOP EXPECTATION IN SIGNING IT.

2. IF PROPOSAL REFTEL IS ALREADY A FAIT ACCOMPLI, THEN, OF COURSE, WE WILL PROCEED TO WORK WITH DND OFFICIALS INVOLVED TO BRING THEM ALONG ON THE SECOND AND MORE COSTLY CHOICE. TO DO THIS WITH GOODWILL REQUIRES, HOWEVER, MORE INFORMATION THAN REFTEL PROVIDES. FIRST, WHAT IS THE CURRENT INTEREST RATE CHARGED ON DIRECT CREDITS? SECOND, FOR WHAT TIME PERIOD DOES THAT RATE APPLY? THIRD, WHAT IS THE EXACT SPREAD BETWEEN THE DIRECT CREDIT INTEREST RATE AND THE FFB RATE APPLICABLE IN THE

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SAME TIME PERIOD? FOURTH, WHAT ARE THE ADDITIONAL

CHARGES, IF ANY, GOP SHOULD EXPECT TO PAY FOR FFB
FINANCING? FIFTH, FOR HOW LONG IS THE FFB OPTION OPEN
TO GOP? FINANLLY, SINCE AGREEMENT WITH GOP WAS ENTERED
INTO BEFORE CONGRESSIONAL ACTION CITED REFTEL, GOP MAY
WELL ASK HOW THE AGREEMENT WITH PHILIPPINES AND NOT REPEAT
NOT CERTAIN "LARGE SCALE" AGREEMENTS ALLUDED TO PARA 2
REFTEL BECAME AUTOMATICALLY SUBJECT TO NEW REQUIREMENT.
EMBASSY WOULD APPRECIATE ANY GUIDANCE DEPARTMENT MAY
HAVE FOR USE WITH GOP ON THIS POINT. WOULD ALSO
APPRECIATE IN THE SAME VEIN THE LIST OF COUNTRIES RECEIVING
SMALL AMOUNTS OF DIRECT CREDIT.

3. MISSION DEFERRING CONTACT WITH PHILIPPINES ON
PROPOSAL UNTIL RECEIPT FOREGOING.
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Message Attributes

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Draft Date: 14 MAY 1975
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